

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Australia

Grain and Feed Annual

2011

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Report Highlights:

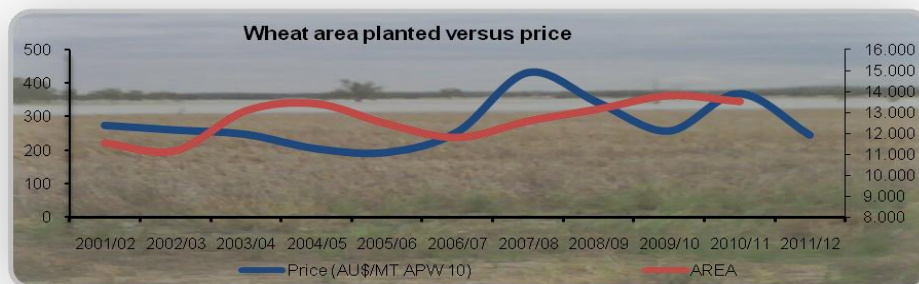
Wheat area for 2011/12 is forecast at 13.8 million hectares, up on the estimate for 2010/11. High prices and excellent soil moisture are likely to push area planted to wheat to near record levels while barley is forecast to decline slightly to 4.0 million hectares. The planting period for the 2011/12 winter cereal crop (wheat and barley) is not expected to begin in earnest until April and will likely continue until June. Sorghum plantings in 2011/12 (year begin March 2012) are forecast to increase slightly to 700,000 hectares and rice is also forecast to increase to 115,000 hectares in response to good prices in improved seasonal conditions.

Executive Summary:

The planting period for the 2011/12 winter cereal crop (wheat and barley) is not expected to begin in earnest until April and will likely continue until June. Industry sources report some early season grazing varieties of winter cereal being planted at the time of writing this report and although these varieties do not represent mainstream winter cereal production, planting is expected to begin early this year. Traditionally, increased planted area has been driven by prices, moisture availability and competition from other enterprises at time of planting.

Despite widespread planting not beginning for another month or so, moisture levels in eastern Australia are expected to be excellent. At the time of writing this report, pre-planting soil moisture levels in some areas of eastern Australia are at their highest since 1974 and in other areas soil moisture may have reached an all-time record for this period. Excellent soil moisture conditions in Australia are expected to push planted area to above-average levels in 2011/12.

Western Australia, which can grow up to 40 percent of Australia's wheat volume, experienced severe drought throughout 2010/11. Post has assumed average weather conditions for 2011/12, and this is expected to see planted area and yield return to levels more reflective of the longer-term average.



Source: ABARE Data (Photo of water covering wheat by Mike Darby)

Recent ABARE forecasts have winter cereal prices easing somewhat over the course of 2011/12 but, despite this forecast decline, prices are expected to remain historically high. Above-average prices are expected to maintain area planted to winter cereals at historically high levels.

Commodities:

Wheat

Barley

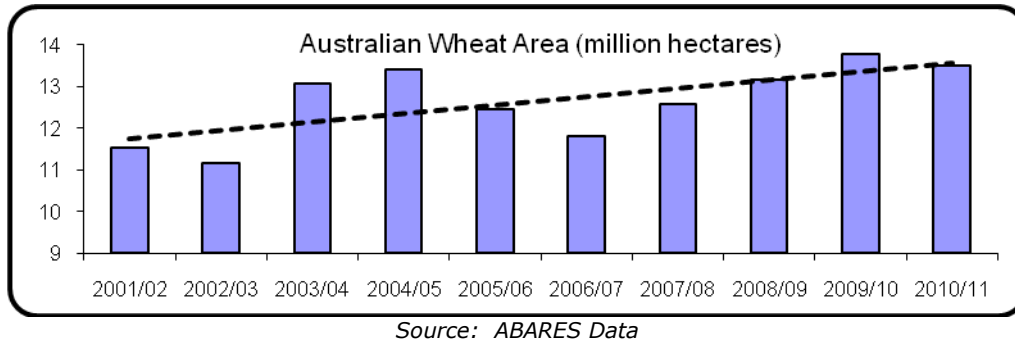
Sorghum

Rice, Milled

Wheat

Area

Wheat area for 2011/12 is forecast at 13.8 million hectares, up on the 13.35 million hectares estimated for 2010/11. If achieved this would represent a near record, falling just short of the record 14.028 million hectares planted in 2009/10.



High prices and excellent soil moisture are likely to push planted area to near record levels, while historically low sheep numbers and abundant pasture and fodder supplies are likely to limit competition for land from livestock industries.

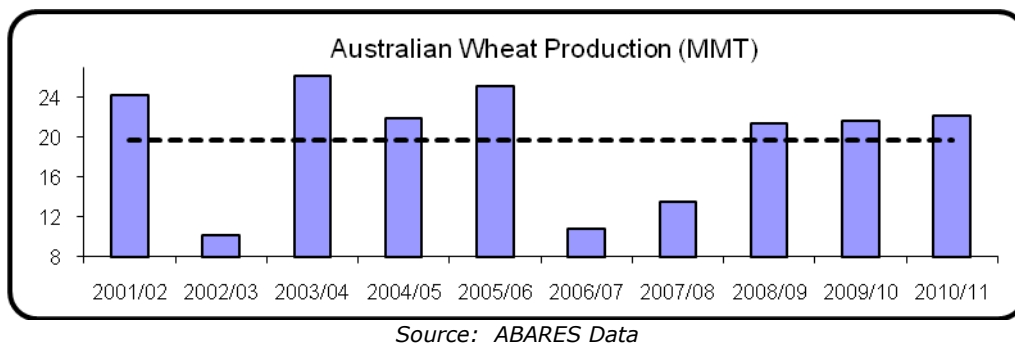
The most likely threat to near record planted area remains the continuation of above-average rainfall which would likely disrupt planting and, in the worst case scenario, constrain planted area. Average rainfall has been assumed in the lead up to, and during, the 2011/10 winter cereal season, hence, not placing unnecessary restraint to planting.

Yield

Post has assumed a yield of around 1.82 MT per hectare for 2011/12, which is roughly equal to the ten-year-average not including the three worst drought years. This represents a fall from the 2010/11 yield of 1.91 MT per hectare, despite the expectation of improved yields in WA. Record yields experienced in 2010/11 in eastern Australia are not expected to reoccur in 2011/12 and this is likely to see a slight decline in overall yield.

Production

Wheat production is forecast at 25.5 MMT for 2011/12, unchanged from the revised estimate of 25.5 MMT in 2010/11. A significant increase in planted area is likely to be balanced by a return to normal yield.



Average weather conditions have been assumed for the period leading up to, and during, the 2011/12 season. However, a continuation of the above-average rainfall conditions experienced through 2010/11 would likely hamper (and constrain) planting of the 2011/12 crop. In this event, Post's forecast would be revised downwards.

| Wheat Production Calculator | | | | |
|-----------------------------|-------------------------|--------|---------------|--------|
| | Area (million hectares) | | | |
| Yield | | 13.60 | 13.80 | 14.00 |
| | 1.75 | 23.800 | 24.150 | 24.500 |
| | 1.85 | 25.130 | 25.500 | 25.869 |
| | 1.95 | 26.520 | 26.910 | 27.300 |

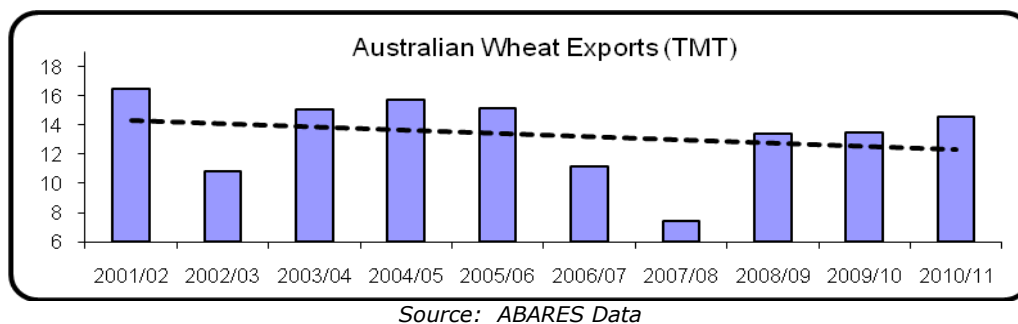
Export

Wheat exports for 2011/12 are forecast at 14.0 MMT, representing a decline of around 1.0 MMT on the revised estimate for the previous year. Local sources are expecting export demand to decline slightly in 2011/12 from the robust levels of 2010/11. ABARE has forecast prices to ease somewhat in 2011/12.

Upside potential remains for the 2011/12 export forecast as scheduled shipments of bulk grain in 2010/11 approach capacity and the possibility of 2010/11 export shipments carrying over into 2011/12 move closer to reality.

Exports for 2010/11 have been revised sharply upwards to 15.00 MMT in line with higher than expected shipments for the October-January period. Despite this revised increase, upside potential continues to exist with some sources suggesting exports for 2011/12 could surpass 16.0 MMT. Industry sources expect the high monthly export levels experienced during December and January to continue through to May (perhaps with the exception of April, a shorter shipping month). Sources suggest that the 2010/11 export program could extend into the 2011/12 marketing year.

The 2010/11 year will likely see unusually high exports to production ratio given the relatively poor quality of much of the harvest. Unseasonably wet weather at time of harvest in eastern Australia caused up to two thirds of the winter cereal crop to be downgraded, according to media reports. Reduced grain quality at time of harvest traditionally results in a lower proportion of the crop being exported. However, the 2010/11 crop has experienced almost unprecedented export demand (particularly for weather damaged wheat) and this has resulted in unusually high export volumes, despite the lower average quality of the crop.



Higher than expected export demand for the 2010/11 will partially constrain growth in domestic consumption and growth in closing inventories. Despite this partial constraint however, both

Policy

AWB, owned by Canadian fertilizer giant Agrium, raised some concerns regarding an inability to book shipping facilities between May and September because GrainCorp's export business had soaked up the capacity, according to local media reports.

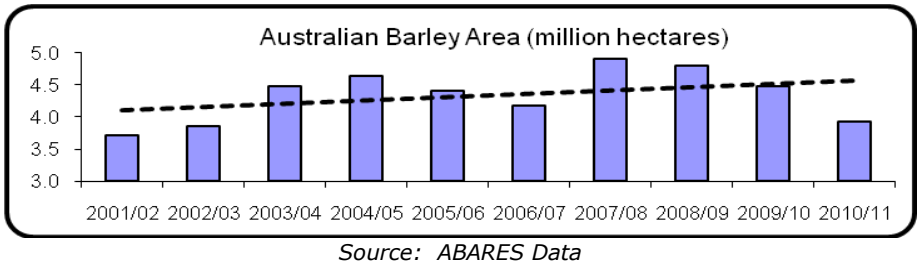
Statistical Table

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Barley

Planted Area

Area planted to barley in 2011/12 is forecast to decline slightly to 4.0 million hectares, assuming average weather conditions. At the time of writing this report, it looks as though wheat planting will commence ahead of schedule. Given the ideal soil moisture in eastern Australia at the time of writing this report, and assuming average weather conditions, the planting window will be long. This, combined with the recent frustration of growing malting barley in wet conditions, will likely see the area planted to barley constrained somewhat.



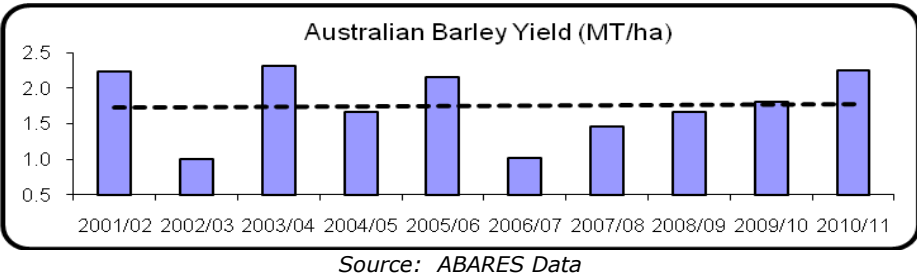
Barley, a shorter season crop which is typically planted after wheat, is more suited to drier conditions when the planting window is compressed by the late arrival of rainfall. At the time of writing this report, the planting period for the 2011/12 crop is not likely to occur late or to be compressed as producers, at least in eastern Australia, have adequate planting moisture.

Some industry sources believe that some upside potential to Post’s forecast exists if above-average rainfall events, which have been experienced in recent months, continue into the planting period for winter cereals. Continued heavy rain would likely cause undue delays for the planting of wheat. As wheat planting is delayed, the area likely to be planted to wheat declines and the area likely to be planted to the shorter season barley increases. In this circumstance the forecast for barley area would likely be revised upwards.

In Western Australia, where severe drought persisted throughout the 2010/11 season, barley plantings could be inflated by the late arrival of rain which traditionally transfers some planted area away from wheat and into barley.

Yield

A yield of 2.0 MMT per hectare has been assumed for 2011/12, representing a decrease from the 2.25 MMT per hectare achieved for 2010/11. A return to more normal weather conditions in eastern Australia is expected to see yield decline nationally (from record or near record levels) and this fall will likely be only partially constrained by improved yields in Western Australia.



Production

Australian Barley Production (MMT)

| Year | Production (MMT) |
|---------|------------------|
| 2001/02 | 8.2 |
| 2002/03 | 3.8 |
| 2003/04 | 10.5 |
| 2004/05 | 7.5 |
| 2005/06 | 9.5 |
| 2006/07 | 4.2 |
| 2007/08 | 7.1 |
| 2008/09 | 7.8 |
| 2009/10 | 7.9 |
| 2010/11 | 8.8 |

Source: ABARES Data



Total barley exports in 2011/12 are forecast at 4.2 MMT, down on the 4.7 MMT forecast for the previous year. Lower forecast production is expected to see barley exports decline. Export demand is expected to remain relatively strong over the 2011/12 season and has assumed lower closing stocks.

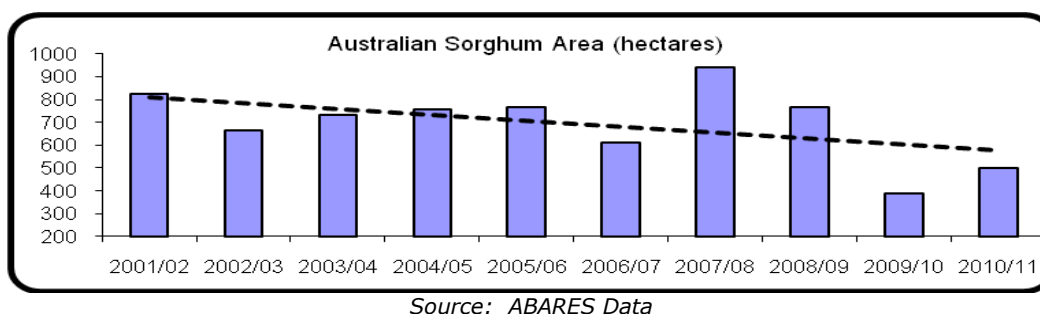
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Sorghum

Area

Total area planted to sorghum in 2011/12 (year begin March 2012) is forecast at 700,000 hectares, up slightly on the estimate for the previous year. Despite the forecast decline in feed grain prices, prices are expected to continue to be an incentive for planting sorghum. Furthermore, with average rainfall from now until planting commences in October, soil moisture is expected to be adequate.

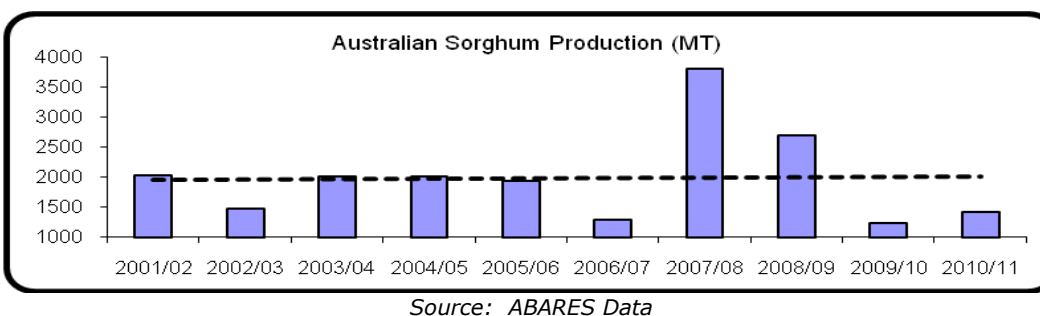
The planting period for the 2011/12 crop is likely to begin in October 2011 and could potentially run until February 2012, depending on rainfall.



Perhaps the only downside potential to future sorghum planting is the continuation of the current high prices received for cotton. Despite ABARES forecasting area planted to cotton to decline somewhat in the future, industry sources are suggesting that competition will likely continue to constrain area planted to sorghum.

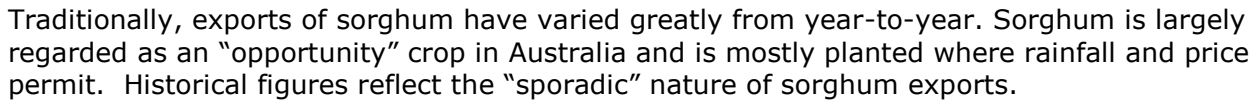
Production

Total sorghum production in 2011/12 (year begin March 2012) is forecast at 2.4 MMT, down slightly on the revised estimate of 2.42 MMT for the previous year. Despite the forecast decline in production, a crop of this size would likely be considered above-average.



Estimated sorghum production for 2010/11 (market year begin March 2011) remains largely unchanged at 2.42 MMT. Harvest of this crop has commenced and both yield and quality have surpassed the expectations of some sources. Soil moisture remains high and concern that a continuation of heavy rainfall events could, in the worst case, see some area of sorghum abandoned. Post's forecast remains slightly higher than some estimates, however, yield is expected to be historically high.

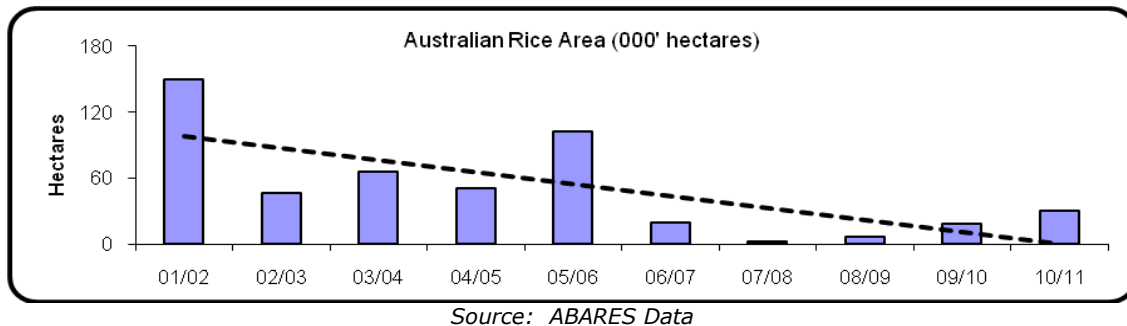
Total exports for Sorghum for 2011/12 (year begin March 2012) are expected to decline somewhat, from the near record estimated for the previous year, to 800 TMT. Despite this decline, if achieved, this would be considered an historically high level. Strong export demand will likely be constrained by a decrease in production.

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Rice

Area

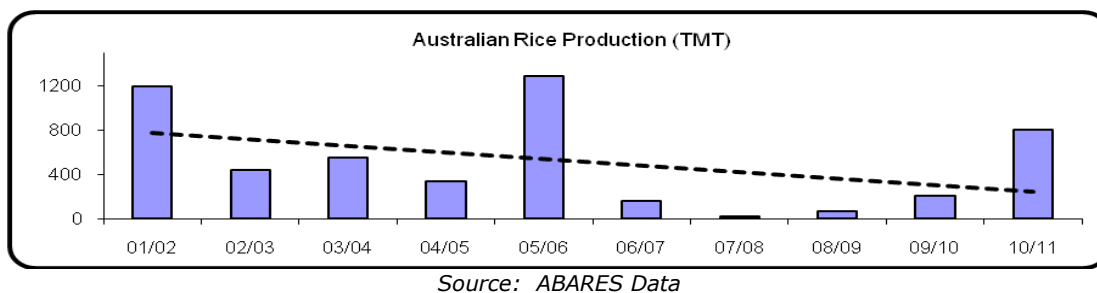
Area planted to rice in 2011/12 (market year begin March 2012) is forecast at 115,000 hectares, up significantly on the revised estimate of 90,000 hectares for 2010/11 (market year begin March 2011). Improved water availability and greatly improved confidence in rice production is likely to see area planted to rice increase. Post believes that, due to the large area of land left fallow during the recent long running and severe drought, availability of land for expansion will not likely be a constraint to increased rice plantings.



Record high prices recently received for cotton has created interest in growing cotton in areas not traditionally known for cotton production. Travel recently conducted by Post has revealed 2010/11 cotton crops being grown in traditional rice growing areas, such as Yanco in southern NSW. Further investigation has identified serious grower intentions to increase cotton plantings for 2011/12 (market year begin March 2012). Despite the increased interest in growing cotton however, minimal constraint will likely be placed on future rice plantings due to the high level of fallow land available following the drought.

Production

Total rice production for 2011/12 (market year begin March 2012) is forecast at 1.1 MMT, up significantly on the 0.85 MMT estimated for the previous year and well below the record 1.64 MMT crop of 2000/01. Increased planted area is likely to be the primary driver for the forecast increase in production. Post has also assumed a slight increase in yield over the previous year.



Exports

Total rice exports for 2011/12 (market year begin March 2012) are forecast at 450,000 MT, up on the previous year. Higher exports are expected to be driven by increased production. This forecast is contingent upon a further decline in forecast imports. Should imports continue at the current high levels, forecast exports would likely be revised upwards.

Statistical Table

| Rice, Milled Australia | 2009/2010 | | 2010/2011 | | 2011/2012 | |
|--------------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: Mar 2010 | | Market Year Begin: Mar 2011 | | Market Year Begin: Mar 2012 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 19 | 19 | 90 | 90 | | 115 |
| Beginning Stocks | 26 | 26 | 44 | 44 | | 97 |
| Milled Production | 142 | 142 | 608 | 608 | | 787 |
| Rough Production | 199 | 199 | 850 | 850 | | 1,101 |
| Milling Rate (.9999) | 7,150 | 7,150 | 7,150 | 7,150 | | 7,150 |
| MY Imports | 225 | 225 | 125 | 125 | | 100 |
| TY Imports | 225 | 225 | 125 | 125 | | 100 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | | 0 |
| Total Supply | 393 | 393 | 777 | 777 | | 984 |
| MY Exports | 40 | 40 | 350 | 350 | | 450 |
| TY Exports | 40 | 40 | 350 | 350 | | 450 |
| Consumption and Residual | 309 | 309 | 330 | 330 | | 350 |
| Ending Stocks | 44 | 44 | 97 | 97 | | 184 |
| Total Distribution | 393 | 393 | 777 | 777 | | 984 |
| | | | | | | |

1000 HA, 1000 MT

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:
<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

| Title of Report | Date |
|--|----------|
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| Wine Annual 2011 | 03/10/11 |
| Public Attitudes Towards Agricultural Biotechnology in Australia | 03/08/11 |
| Review of Food Labeling & Policy | 02/24/11 |
| Grain & Feed Lock-Up – February 2011 | 02/01/11 |
| Citrus Annual 2010 | 12/15/10 |
| Ag DownUnder - Issue 7 2010 | 12/10/10 |
| Winter crop harvest under way as rain continues in eastern Australia | 11/30/10 |
| Australia Moves toward Phasing Out the Use of Sow Gestation Stalls | 11/24/10 |
| Dairy and Products Annual 2010 | 11/23/10 |
| Grain and Feed Lock-Up – November 2010 | 10/28/10 |
| Ag DownUnder – Issue 6 2010 | 10/15/10 |
| Sugar Semi Annual 2010 | 09/29/10 |
| Livestock and Products Annual | 09/01/10 |
| Stone Fruit Annual 2010 | 08/20/10 |
| Grain & Feed Update – August 2010 | 07/30/10 |
| Ag DownUnder Issue 5 2010 | 07/22/10 |